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ABSTRACT

Increased international competition, rapid technological innovation, and profound demographic changes have all created an urgent need for a skilled and capable work force. The work force development system that has been assembled over the years in the United States is extensive; however, the goals and services provided by a wide range of public and private agencies have never been integrated. Efforts to integrate these diverse resources and reform the nation's labor force development policy must include more attention to the following: public-private partnership, coordinated service delivery, program accountability, and decentralized program administration. The implementation of a demand-driven, decentralized, and flexible work force demands a new role for the federal government. The federal government should take the following actions: build a federal partnership, support state reorganization efforts, improve state and local coordination, ensure program accountability, develop flexible targeted programs, and leverage additional resources. Current policies concerning job training for the disadvantaged, vocational education, welfare, worker adjustment, employment service, unemployment insurance, labor market information, and elementary secondary education must all be reassessed and reformed to increase coordination among all levels of government and the private sector. (MN)

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SHAPING TOMORROW'S WORKFORCE

A LEADERSHIP AGENDA FOR THE 90'S

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National Alliance of Business

The National Alliance of Business is an independent, business-led, nonprofit corporation whose mission is to increase private sector training and job opportunities for the disadvantaged and the long-term unemployed by building and strengthening public/private partnerships of business, government, labor, education, and community-based organizations.

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Preface

Structural problems in the American economy have been detailed, discussed, and debated for a number of years. Numerous publications, including our own *Employment Policies: Looking to the Year 2000*, have addressed this subject. Although there is widespread agreement about the nature of these problems and their economic and social implications, there is less agreement about their solutions.

With this paper, we attempt to move the discussion to the next level and suggest strategies to respond to changing domestic priorities and shifting economic and social conditions. We focus on strategies to develop a quality workforce, since we believe that productive people are the nation's prime resource and the key to the nation's future. We restrict the scope of our efforts to education and training programs that prepare individuals for work requiring less than a four year college degree.

The Alliance does not pretend to have all the answers, but we can claim two decades of experience in reducing joblessness and improving workforce quality. Drawing on that experience and careful study of policy and program trends, we have identified a number of common themes that suggest a policy and organizational framework for joint public-private action. We believe that such a framework can help transform the current fragmented collection of education, training, and employment programs into a coherent workforce development system united by a common mission.

We focus our attention mainly on national strategies. One reason is that the appropriate role for the federal government is the subject of much disagreement, and we feel that we have something valuable to add to this important debate. However, the beginning of a new Administration and a new Congress offers an even more compelling reason.

The change in political leadership presents a perfect opportunity to articulate long-term objectives in federal workforce development policy, to reinforce progress, and to expunge flaws through legislative, regulatory, and financial incentives. Impulsive changes in federal policy could disrupt promising state efforts to redirect and reorganize existing programs. On the other hand, some policy changes are clearly in order to improve and expand those reform efforts. Our recommendations, outlined at the end of this paper, build on the success of ongoing efforts and suggest next steps for federal action.

This paper is also directed to those committed professionals and volunteers whose individual efforts often lack a common vision. By generating wider discussion among them, we hope to promote greater joint effort toward achieving the common goal of a more productive American workforce and a more prosperous America.

William H. Kolberg
President
National Alliance of Business

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Executive Summary

Increased international competition, rapid technological innovation, and profound demographic changes have converged in America to create the urgent need for a skilled and capable workforce.

Over the years, the nation has assembled an extensive, but unintegrated, workforce development system, which includes a wide range of public and private providers of work-related education and training. Uniting this fragmented collection of programs with a coherent strategy is a major challenge.

Emerging Policy Framework

Although state economic development, education, welfare, job training, and employment security systems all play a part in preparing individuals for work and helping them find jobs, each of these systems has its own independent mission, structure, and policies. There is little interaction between related public programs, and little connection between these programs and the private sector. Often, the result is fragmentation and duplication.

In many places, workforce development programs are being reorganized to prepare workers for a rapidly changing and more competitive economic environment. In the process, a policy framework is emerging that can guide continuing reform efforts.

- Public/Private Partnership: Since the public and private sectors have a common interest in effective work preparation, and since the task is too large and complex for either to perform alone, they need to work together to achieve better results. Historically, public and private workforce development programs have largely operated in two separate worlds, with different policies, different structures, different cultures, and little interaction between them. In order for public programs to become more responsive to the needs of the economy, this isolation must be replaced with close cooperation.

- Coordinated Service Delivery: Given their common interest in building a quality workforce, the many public and private deliverers of education, training, and employment services should be organized into a unified and coherent service delivery system. The current fragmented system too often leads to duplication of effort and the waste of scarce public resources. In addition, the lack of interaction among the various service providers limits individual access to needed services.

- Program Accountability: Education, training, and employment programs must be attuned to the changing economy to prepare individuals for work. An emerging workforce development strategy is to hold education, training, and employment programs accountable for the quality of the services they provide to individuals and to employers -- the "consumers" of their services. Holding service

providers accountable for their success or failure and using a competitive process to select service providers allows policy makers to improve the efficiency and effectiveness of education, training, and employment efforts.

- Decentralized Administration: The reorganization and redirection of education, training, and employment programs require new roles for the various levels of government and for the private sector. A dynamic economy demands a flexible workforce development system, and such a system is best administered at the state and local levels. Federal programs that bypass the states are unlikely to leverage state financial and organizational resources, and are likely to lead to further duplication of effort and program fragmentation. Decentralized administration that vests state and local governments with management responsibility is key to achieving greater flexibility and program coordination.

New Federal Role

The implementation of a demand-driven, decentralized, and flexible workforce development strategy requires a new role for the federal government. The appropriate federal role is neither to get "in the way" of state and local initiatives, nor stay "out of the way," but to "lead the way" by redirecting, reorganizing, and expanding workforce development efforts across the nation. The evolving model for federal action provides federal policy "leadership," rather than federal administrative "control." Accordingly, the federal government should:

- Build a Federal Partnership: Consistent policies for federally funded workforce development programs are indispensable to putting the pieces together at the state and local levels. Consequently, there is a need for a partnership institution at the federal level to coordinate policies across a broad range of federal programs and institutions.

- Support State Reorganization Efforts: The states need federal leadership to guide and support their reorganization of workforce development systems. Because the federal government has little control over many of the key components of state workforce development systems, federal efforts should focus on research, demonstrations, evaluation, sharing of best practices, and technical assistance.

- Improve State and Local Coordination: Federal leadership is needed to strengthen joint planning at the state and local levels. Expanding the role and authority of existing partnership institutions could enhance institutional reform efforts at no cost to state and local flexibility.

- Ensure Program Accountability: Federal leadership is needed to develop consistent and compatible performance standards that set goals for all national education, training, and employment programs and ensure accountability for the expenditure of federal funds.

- Develop Flexible Targeted Programs: Since targeted federal programs play a crucial role in promoting equity in the distribution of employment opportunities across society, federal legislation should continue to target resources to special population groups, but allow states and localities to retain substantial flexibility to design and operate programs tailored to their needs.

- Leverage Additional Resources: It is neither possible nor necessary for the federal government to shoulder the entire burden for expansion of state workforce development systems. Federal resources should be invested so that they leverage additional state, local, and private resources.

Next Steps

It is inevitable that the nation's workforce development policies will undergo scrutiny and possibly revision with a new Administration and a new Congress. Federal leadership has already made substantial progress in reforming some workforce development programs. Continued progress requires steady federal leadership to improve and expand the reform efforts now under way. In every program area, it is important to consider next steps for federal action.

- Job Training for the Disadvantaged: The federal government should increase funding for JTPA programs leveraging additional resources from state, local, and private partners. Congress and the Administration should conduct a thorough review of progress under JTPA and make necessary legislative and regulatory adjustments to improve the effectiveness of JTPA programs. In addition, the federal government should explore new approaches and commit additional resources to reducing adult illiteracy and school dropout rates. Specifically, federal leadership should encourage the use of summer youth program funds to combine classroom instruction with work experience for disadvantaged youth on a year-round basis.

- Vocational Education: Reauthorization of the Carl Perkins Act during 1989 provides an opportunity to determine whether the federal goal of improving program quality is being met. Federal leadership should broaden the focus of vocational education programs to ensure that they become viable alternatives to academic programs, providing the literacy, math, reasoning, communication, and problem solving skills needed in the workplace. In addition, federal leadership could help states develop better formal advisory structures that utilize the occupational expertise of the private sector.

- Welfare: The federal government should capitalize on new federal legislation to redirect state welfare programs. The federal government should significantly expand its technical assistance to states and local communities to encourage use of the private industry councils as a mechanism to promote program coordination and private sector involvement. Continued federal research, demonstrations,

evaluation, and sharing of best practices are necessary to support ongoing state experimentation.

- Worker Adjustment: Effective implementation of new worker adjustment legislation requires a significant increase in federal technical assistance to public officials and partnership institutions responsible for planning, operating, and overseeing the expansion of services to dislocated workers. Congress should increase federal funding for these programs as state administrative capacity develops, and should consider new methods to leverage additional state and private resources for program expansion. In addition, the federal government should expand research and demonstration efforts to determine effective methods of retraining and upgrading the skills of existing workers to prevent dislocation, including experimenting with methods to leverage additional private sector resources to support these activities.

- Employment Service: The Administration and Congress should determine whether there is a distinct federal role for the public employment service. Ensuing legislation should either clearly define current expectations, refocus the employment service along new lines, or transfer all administrative and funding responsibility to the states. The federal government should provide technical assistance to the employment service, state councils, and private industry councils to carry out their statutory responsibilities and to improve coordination between the employment service and other work-related programs.

- Unemployment Insurance: The federal government should continue research and demonstration efforts to identify which unemployment insurance recipients are likely to be permanently unemployed and assist them to reenter the workforce. These activities should be carefully evaluated and the findings shared widely among the states. The federal government should explore new ways to streamline referral of unemployment insurance recipients to worker adjustment programs funded by JTPA. In addition, the federal government should study whether unemployment insurance trust funds could be used to finance remediation and retraining services without affecting the solvency of the funds. If the trust funds cannot support such activity, alternatives such as general revenues, a shared employer-employee tax, or tax incentives should be considered.

- Labor Market Information: Federal leadership in the development and coordination of state and local labor market information should be greatly expanded. The Labor Department should provide more direct training and technical assistance to states to promote the development of their occupational information systems and should consider the creation of a special unit dedicated to this task. The Bureau of Labor Statistics (BLS) should continue to assist states in promoting the standardization of definitions and ensuring the integrity of information produced. Congress should provide the necessary funding to carry out these tasks.

- Elementary and Secondary Education: The federal government should expand its early intervention efforts. In addition, new federal initiatives are needed to motivate disadvantaged and disaffected youth and improve their transition from school to work. The federal government should improve summer youth programs and vocational education, investigate broader application of apprenticeship-type approaches that combine classroom and on-the-job training, and evaluate career exploration programs. The federal government should experiment with and closely evaluate the role of business/education partnerships in improving the school-to-work transition for youth.

These next steps offer a coherent, comprehensive American response to the challenges of international competition, technological innovation, and changing demographics. Incorporating the principles of public/private partnership, coordinated service delivery, program accountability, and decentralized administration, this workforce development strategy holds much promise for the future of the nation's economy and for continued social progress. With strong leadership from federal, state, and local governments and from the private sector, America can move aggressively forward to meet the challenges of the 1990s.

National Workforce Development Strategy

The quality of the American workforce is a critical determinant of continued national economic and social progress. As other industrial nations gain access to the same physical and financial resources that the United States has long enjoyed, and as technologies move more easily across international boundaries, continued economic growth depends increasingly on the superior quality of the nation's human resources -- the education, skills, flexibility, and motivation of American workers. There is growing concern that existing institutions cannot effectively meet this challenge without substantial retooling and redirection.

Over the years, the nation has assembled an extensive, but unintegrated, workforce development system. In the mainstream of this system are private employers, who shoulder the main burden for direct workforce development through classroom and on-the-job training. Supplementing these efforts is a wide range of public and private providers of work-related education and training -- including the public schools, vocational education institutions, apprenticeship programs, job training programs, and two-year and four-year colleges and universities. In addition, a variety of second-chance institutions help individuals who fail in or have been failed by mainstream institutions adapt to the demands of prospective employers. Both the mainstream and the second-chance institutions are complemented by a variety of public and private intermediaries that facilitate the movement of workers into and between jobs.

Although many public and private institutions provide similar, or even identical, education, training, or employment services, there is too little interaction among them. Most of these institutions do not view coordination as a high priority. Consequently, there is a compelling need to redirect the activities of existing education, training, and employment programs in order to focus on preparing individuals for competitive employment and to unify these programs into a more integrated policy and organizational framework with building a quality workforce as its central objective.

Economic and social developments in recent years have greatly increased the risks of muddling along with a fragmented workforce development strategy.

International Competition

Perhaps the most significant development is the rise of international competition. Over the past decade, the rest of the world has gradually caught up to -- and in many cases passed -- the United States in basic manufacturing. Many American corporations simply cannot compete against nations where workers are paid a few dollars a day. In order for its standard of living to continue to grow, this nation needs to shift from an economy dependent on assembly line manufacturing in l[illegible]e, stable firms to a flexible economy based on knowledge and technological innovation.

Increasingly, America's future depends more on brains and less on manual labor. In a world of low-wage labor, this nation's competitive advantage lies in its ability to create research breakthroughs, to translate those

breakthroughs into new products and processes, and to manufacture the results using a combination of technological sophistication and skilled labor that is still nascent in most other nations. America's future, in other words, depends to a great extent on the superior quality of its workforce.

Structural Mismatches

Another development is a growing mismatch between workplace needs and workforce capabilities. This mismatch is reflected in high levels of structural unemployment among some groups in the population who have not shared in the benefits of economic expansion. Many of these unemployed are experienced workers who have been unable to keep pace with rising skill requirements and the increasing rate of technological change. Others are new entrants to the labor market who lack even the basic skills needed for employment. In addition, many workers remain trapped in central cities or depressed communities while the jobs have moved elsewhere.

Changing demographics could exacerbate this mismatch. A decade ago, employers could fill job vacancies from a large supply of young, entry level workers. A drop in the birth rate that began in the early 1960s, however, means that fewer young people are now available for work. A growing percentage of new entrants into the workforce for the balance of this century are likely to be black, immigrant, Hispanic, from single parent families, or poor.

The mainstream institutions that provide work-related training have not kept pace with the changing skill requirements of a dynamic economy. There must be a more systematic effort to ensure that new workforce entrants receive the preparation they need to become successful in the competitive labor market. The nation needs new policies to help existing workers adapt to new technologies, learn new skills, and increase their geographic mobility.

Attitudes Toward Public Dependency

A third development involves changing social attitudes toward public dependency. For the past half century, the government has provided cash, food, and medical benefits to families of individuals who could not find jobs. Anti-poverty programs have required little effort on the part of the dependent individual to achieve self-sufficiency. Today, however, the public increasingly favors giving the poor the tools they need to become economically self-sufficient. Social responsibility for the nation's poor citizens is now balanced more often with the responsibility of individuals to support themselves and their families.

The challenge is to find new ways to expand economic opportunities for the nation's citizens that promote overall economic efficiency. A new consensus among liberals and conservatives holds that the most effective way to fight poverty is not through income transfers, but through education, training, and employment. Similarly, the most effective response to permanent job loss is not unemployment insurance, but retraining and reemployment. In short, education, training, and employment activities are the key elements in efforts to reduce public dependency and promote economic self-sufficiency for dependent individuals and their families.

New Policy Framework Emerging

Given the growing importance of workforce quality to the nation, it is becoming clear that the current ad hoc collection of education, training, and employment programs is inadequate to today's challenges.

Although state economic development, education, welfare, job training, and employment security systems all play a part in preparing individuals for work and helping them find jobs, each of these systems has its own independent mission, structure, and policies. The result is fragmentation and duplication. There is little interaction between related public programs and little connection between these programs and the private sector. In addition, too many of these programs have responded more to the needs of the institutions that administer them and the public officials that support them than the needs of the individuals they are designed to serve.

The nation needs an integrated, coherent, long-term strategy to guide its expanding workforce development efforts. Farsighted leaders at all levels of government have begun the task of reforming existing institutions to make them more responsive to the needs of a changing economy. In the process, a common policy framework is emerging to guide continuing reform efforts.

Public/Private Partnership

Since the public and private sectors have a common interest in effective work preparation, and since the task is too large and complex for either to perform alone, they need to work together at all levels of government to achieve better results. Historically, public and private workforce development programs have largely operated in two separate worlds with different policies, different structures, different cultures, and little interaction between them. This isolation must be replaced with close cooperation.

Although less is known about them, private workforce development activities overwhelm in scope and size their counterparts in the public sector. This private system of work-related education and training includes employer-sponsored classroom and on-the-job training, joint labor-management apprenticeship and retraining programs, specialized training and placement services offered by private organizations, and individual continuous learning activities. Given their common goals and the significant overlap in the services they provide, there are obvious benefits to the effective coordination of public and private work-preparation efforts.

Public programs benefit when the private sector shares information about the skills individuals need to be productive employees and the training methods that are most effective. The private sector benefits when the public sector turns out an educated and skilled applicant pool that can quickly adapt to the demands of the workplace. By coordinating public and private efforts, the needs of both individuals and employers are better met. For many years, vocational education, job training, and employment service programs have involved the private sector in an advisory capacity, but only recently and on a

limited basis has the private sector become a partner in policy decisions. Currently, public/ private partnerships are being developed to plan and carry out reforms in public education.

Partnership Experiment. For the past several years, the public and private sectors have shared responsibility for the planning, design, and oversight of job training programs. Inspired by the success of joint public/private economic development initiatives, Congress established a new institutional arrangement at the local level -- the private industry council -- to bring together public and private sector representatives to identify who should be served by public job training programs, determine which services should be provided, and decide how they should be delivered.

By granting equal authority to local elected officials and to the private sector, the Job Training Partnership Act (JTPA) introduced new checks and balances into the local political scene. This innovation was designed to strengthen the influence of labor market and participant needs in local program decisions. In addition, it was hoped that the involvement of the private sector could provide essential continuity to pursue long-term objectives despite changes in political leadership.

The JTPA experiment with this unique partnership arrangement shows great promise. Most local communities report only a minimum amount of friction, and mutual trust and understanding are slowly being built. Private sector interest and involvement are being sustained as private sector representatives gain experience and grow more comfortable with their new responsibilities.

Business Involvement in JTPA

A 1985 National Alliance of Business survey of private industry council chairs and public program administrators provides some valuable insights into how well the JTPA experiment is working. Key findings include:

- **Ninety percent of the chairs and administrators rated the relations between public and private sector partners as "good" or "excellent."**
- **PIC chairs volunteered for various reasons, but most stay involved because they believe in the public/private partnership concept and recognize the need for a training system that serves the needs of low-income individuals and the long-term unemployed.**
- **The level of business involvement in the PIC has been sustained or has increased over the past two years. PIC business member turnover remains low, and finding replacements is not difficult.**
- **PIC members are generally involved in a wide variety of activities including marketing JTPA, involving their own companies in JTPA, and participating in on-site program monitoring. Almost half of PIC chairs' companies train JTPA participants. Half of the PIC chairs' companies hire JTPA graduates.**
- **Two-thirds of local programs receive donations from the business community -- including money, equipment, office/ classroom space, and loaned personnel. A third of these say that such contributions are on the rise.**
- **Almost 90 percent of PIC chairs feel that employers are more willing to participate in JTPA as a result of business involvement. About 93 percent reported that business participation on the PIC improves program operations primarily by making them more results oriented. Slightly more than three-quarters of the chairs felt that business involvement results in increased job placements, better employment opportunities, and higher wages at placement for participants.**

Coordinated Service Delivery

Given their common interest in building a quality workforce, the many public and private deliverers of education, training, and employment services should be organized into a unified and coherent service delivery system. The current fragmented system often leads to duplication of effort and the waste of scarce public resources. In addition, the lack of interaction among the various service providers limits individual access to needed services.

Currently, there is little logic to the delivery of education, training, and employment services. Individuals or employers needing assistance must randomly choose from many different agencies. Often, many institutions deliver the same or similar services, but with considerable variation in quality. In some communities, for example, job search assistance is offered by the employment service, the welfare agency, the food stamp program, vocational education institutions, vocational rehabilitation programs, job training programs, and a number of private agencies.

At the same time, needed services may not be available from the program an individual randomly enters. Often, individuals are limited to the services offered by the agency selected, even if what they need the most is offered by a different agency across town, even down the street.

Modern technology, however, could eliminate this duplication and fragmentation. The same technology that gathers information for management purposes could be put to work to transfer information and clients among many different parts of a pluralistic workforce development system.

Organized properly, many different services currently offered by existing public and private agencies could be orchestrated to streamline service delivery. Individuals could enter the system through any participating public or private agency, following a uniform intake and assessment process. This could be performed electronically so that individuals would not need to shuttle between different agencies or offices. Participants could then progress through a logical sequence of services at their own pace, guided by any of the participating agencies.

Pilot projects are now under way in a number of areas to develop common intake forms and procedures across different agencies, thereby eliminating some of the barriers to interagency referrals and potentially increasing the access clients have to a broader range of services. Other experiments feature "one-stop shopping," where two or more agencies offer similar or complementary services from the same location.

Despite the promise these experiments hold for increasing access and reducing duplication in the delivery of services, the complete integration of all education, training, and employment services into one workforce development "super agency" is neither probable nor desirable. The range of services is too broad for any one agency to handle and still maintain high standards of quality and performance. Specialization and competition between service providers are necessary to preserve quality. Moreover, it is unrealistic to expect that agency officials would support the dismantling of organizations they have worked hard to build. Consequently, it is necessary to maintain the current pluralistic structure of the workforce development system, but find methods to coordinate activities better.

Local Coordination. The private industry councils created by JTPA have begun to play a central role in identifying community-wide goals, setting priorities, and developing plans to meet them. With their broad public and private membership base -- including business volunteers and representatives from education, welfare, economic development, the employment service, organized labor, and community organizations -- and their partnership arrangement with elected officials, the private industry councils not only have the potential to forge consensus among key local actors, but they also have a sufficient concentration of power for effective action.

There are still a number of obstacles to be overcome before the private industry councils can realize their full potential. Some of the councils have narrowly restricted their role to second-guessing the management decisions of public officials administering JTPA programs, rather than performing the broader policy, planning, and oversight roles envisioned in the legislation. Where the councils have moved beyond the administrative concerns of JTPA and devoted greater attention to the broader system building objectives of the legislation, their ability to leverage change in other programs has been circumscribed by the limited autonomy of local program staff in highly centralized state agencies, which often place greater value on compliance with internal directives than on responsiveness to local needs.

State Level Coordination. JTPA also prescribed joint planning at the state level to coordinate a variety of state programs -- state education agencies (including vocational education), welfare agencies, the employment service, rehabilitation agencies, postsecondary institutions, economic development agencies, and others that the governor determines have a direct interest in workforce development within the state.

Local Program Coordination

A 1987 NAB survey on local level coordination between JTPA and related programs found:

On the positive side:

- **Three out of four PIC chairs report that coordination overall is increasing. Most coordination involves specific working arrangements related to client referral and the delivery of training services.**
- **The majority of both PIC chairs and SDA administrators report "good" or "excellent" relationships with the employment service, vocational education, welfare, and economic development agencies. JTPA coordination is extensive with vocational education and the employment service.**
- **Attempts in several states to merge employment service and JTPA planning have been successful, and are beginning to set an example for other states. State welfare-to-work initiatives are also experimenting with new administrative arrangements to coordinate welfare and JTPA services.**

On the negative side, the two leading factors reported as inhibiting coordination in each program are:

- **Employment Service: 1) Turf competition for control of funds and job placement credits; 2) An ES bureaucracy cited as inflexible, cumbersome, and overly controlled by the state.**
- **Vocational Education: 1) Not sufficiently performance oriented; 2) Inflexible in scheduling classes and offering training suited for those not fitting the traditional student profile.**
- **Welfare: 1) Clients lose benefits, often including medical coverage, upon enrolling in training or taking a job; 2) Welfare personnel perceived to lack interest in encouraging clients to participate in training or seek employment.**

A growing number of states use the JTPA mandated state job training plan to map out a comprehensive state workforce development strategy. Most states, however, still treat this requirement as a paper exercise that must be performed in order to obtain their share of federal JTPA funds. State level strategic planning is a new concept, and many states will not appreciate the benefits of such an effort until they see the differential growth rates of neighboring states. Planning has always been a weak link in workforce development programs, and immediate improvement is unlikely just because responsibility has moved from the federal level to the state level, where experience in this area is relatively limited.

To organize this planning process, JTPA created a state level counterpart to the private industry council -- the state job training coordinating council. In some cases the state job training councils have played an important role in promoting coordination between related state programs. But, for the most part, governors have not used them effectively. Like the private industry councils at the local level, it has taken some time for the state councils to gain experience and develop working relationships among council members and between the council and other state institutions. Many of the councils have tended to become lost among the host of other advisory bodies at the state level. Too often, a narrow focus on JTPA programs has limited the role of the state council as a catalyst for broader institutional reform.

Several states are well ahead of the rest in developing their state councils into broad-based workforce development policy and planning bodies. A number of states are also experimenting with alternative administrative arrangements -- such as the creation of independent employment and training departments, cabinet-level coordinating committees, governor's task forces, or employment and training policy "czars" -- to achieve more effective program coordination.

New Jersey's Employment and Training Commission

New Jersey is in the process of reconstituting its state job training coordinating council as an independent State Employment and Training Commission to improve overall direction to workforce development programs in the state. The Commission will:

- **Be an independent body, with its own budget and executive director, and will report directly and exclusively to the governor through its chairperson**
- **Consolidate existing employment-related advisory bodies that have been established to promote interaction between the public and private sectors and among the agencies of state government**
- **Be empowered to examine and recommend improvements in all employment-related programs, which will be required to submit their plans to the Commission for review prior to implementation**
- **Be codified in state law, including a requirement that half of its members and its chair be from the business sector**
- **Not have responsibility for day-to-day decisionmaking or the operation of programs, which will remain the province of state departments that administer them**

Program Accountability

Education, training, and employment programs must respond to the needs of the changing economy to effectively prepare individuals for work. An emerging trend in workforce develop-

ment is to hold education, training, and employment providers accountable for the quality of the services they provide to individuals and to employers -- the "consumers" of their services. Holding service providers accountable for their success or failure and using a competitive process for selecting providers allows policy makers to improve the efficiency and effectiveness of education, training, and employment efforts.

JTPA programs are experimenting with new methods to increase accountability for the expenditure of public funds. These programs operate under a flexible schedule of expected program outcomes, or performance standards. JTPA programs that meet or exceed their goals are rewarded, while those that fail to do so are offered technical assistance or ultimately sanctioned. Such a flexible system allows JTPA agencies to broker services from a wide range of existing service providers, that must consistently demonstrate their capacity to meet the standards set by the JTPA program. Clients and employers benefit as the market weeds out the providers of poor quality services.

Other programs have begun to adopt similar methods to increase accountability. For example, new federal welfare reform legislation requires the development of performance standards for state welfare to work programs. Similarly, education reformers are seeking new methods to hold public schools accountable for the quality of education their students receive. Although much developmental work remains to be done in this area, the success of education, training, and employment programs will increasingly be judged more by their outcomes than their ability to process paperwork in a timely manner.

Decentralized Administration

The reorganization and redirection of education, training, and employment programs require new roles for the various levels of government and the private sector. A more dynamic economy demands a flexible workforce development system, and such a system is best managed at the state and local levels. Federal programs that bypass the states are unlikely to leverage organizational and financial resources. Bypassing the states can also lead to further duplication and fragmentation. Decentralized administration that vests state and local governments with management responsibility is key to achieving greater flexibility and coordination.

State Leadership. The states are assuming the lead role in administering and financing key components of the workforce development system -- including economic development, education, job training, welfare, the employment service, and unemployment insurance. Neither the federal government nor local governments exercise the same degree of administrative control over these programs. In addition, since labor market boundaries generally overlap a number of local political jurisdictions, the state is the nearest level of government with jurisdiction over entire labor market areas.

As states have grown more sophisticated in pursuing economic development objectives, many have recognized the need to reform existing education, training, and employment programs so they can better complement economic development efforts. Flexible federal legislation enacted in the early 1980s further encouraged states to develop innovative welfare to work, job

training, and dislocated worker programs. As a result, the states have begun to provide crucial leadership to the direction and structure of the workforce development system.

The commitment of state resources for expansion also reflects state leadership to the workforce development system. Almost every state now funds customized training programs as an inducement for businesses to locate within state boundaries. State-supported community colleges have shifted their focus markedly toward specific vocational training and have expanded rapidly in recent years. In addition, many states are experimenting with state "skills corporations" designed to assist employers and individuals with their retraining needs. These skills corporations are jointly funded by state general revenues and employer contributions. Many state legislatures have enacted legislation that expands employment opportunities for the poor and disadvantaged.

State-Local Partnership. If the main purpose of public education, training, and employment programs is to provide a bridge to the economic mainstream, these programs must be closely attuned to the needs of individuals and employers in local labor markets. Since labor markets vary considerably, it is impossible for federal, or even state, lawmakers to design a program model that could be equally effective in every labor market area. Sub-state variations in economic conditions, labor force needs and characteristics, political leadership, and quality of available services make it essential that sub-state areas be granted the flexibility to design programs that meet their needs and fit their conditions.

State and Local Investments in Workforce Development

Vocational Education: In FY 1985, state and local governments spent $9 billion on vocational education. This represents 13 times the federal expenditure of $0.7 billion for that year.

Adult Education: From FY 1984 to FY 1986 total state and local expenditures for adult education rose from $197 million to $320 million (a 63 percent increase), while Federal expenditures rose from $95 million to $102 million (7 percent).

Elementary and Secondary Education: In 1985 state and local expenditures totaled $127 billion, while the federal government contributed $9 billion (7 percent of the total).

Community Colleges: In 1986 state and local governments invested $12 billion in community colleges, which are growing faster than any other educational institution.

State Funded Retraining: A 1986 National Governors' Association report describes 17 state funded retraining programs, funded at the level of approximately $137 million annually. Federal dislocated worker expenditures totaled $188 million in 1986. More recently, some states have appropriated additional funds. For example, New York, has appropriated $1.5 million to fund three dislocated worker centers.

Employment Security: In 1986 states supplemented federal general revenue and employer payroll taxes with nearly $100 million in state general revenues to fund employment service, unemployment insurance, and labor market information programs.

Welfare to Work: The General Accounting Office reports that 1985 state and local expenditures for these programs totaled $68 million, compared to $196 million in federal expenditures. State investments have expanded significantly since that time. For example, in California alone, the 1988-1989 budget for the Greater Avenues for Independence (GAIN) program includes $214 million in state general revenues.

The Job Training Partnership Act (JTPA) suggested that governors designate service delivery areas within the state consistent with labor market boundaries. However, efforts to align service delivery boundaries with labor market boundaries have had limited success. In a few states, service delivery boundaries have been redrawn to correspond to regional economic development zones. Several other states have ensured that JTPA and employment service boundaries overlap to promote coordination between the two programs. However, the theoretical appeal of synchronizing service delivery with labor market boundaries has, for the most part, been overwhelmed by the practical reality of local politics.

New Federal Role Evolving

The decentralization of workforce development programs requires a new role for the federal government. The appropriate federal role is neither to get "in the way" of state and local initiatives, nor stay "out of the way." Instead, the federal role is to "lead the way" by reorganizing and expanding workforce development efforts across the nation. The emerging model for federal action stresses providing federal policy "leadership" rather than exercising federal administrative "control."

Build a Federal Partnership

One federal objective is to unify the many programs devoted to work-related education, training, and employment within a common policy and organizational framework.

Consistent policies for federally funded workforce development programs are indispensable to putting the pieces together at the state and local levels. Fragmentation of the federal policy process among a host of Congressional committees and federal agencies poses a formidable obstacle to the coordination of related programs. Consequently, there is a need for a public/private partnership at the federal level to coordinate policies across a broad range of federal programs and institutions.

A revitalized National Commission for Employment Policy (NCEP) could play an important role in overcoming the fragmentation of workforce development policy at the federal level. The White House Domestic Policy Council should also help coordinate workforce development policies within the Executive Branch. Similarly, a bipartisan Congressional caucus or task force could help forge consensus on key strategic issues and marshal the resources to act on that consensus, with important benefits for the economy and for all Americans.

Support State Reorganization Efforts

The states need federal leadership to guide and support the reorganization of their workforce development systems. Federal efforts to reform those components must necessarily be indirect because the federal government has little control over many of the key components of state workforce development systems.

There is always a strong temptation for the Congress to round up the best of the state programs and legislate them into federal law. It is difficult to accept at the federal level that fifty separate state workforce development systems can be more effective than one uniform federal system. But the ability of the states to adapt their education, training, and employment programs to changing labor market needs and integrate them into state economic development strategies depends on their control over those programs. In order for the workforce development systems to be as dynamic as the economies they support, the current wave of state experimentation and

innovation must be nurtured as a permanent feature of those systems, rather than a temporary prelude to federal legislation.

Federally sponsored research, demonstration, and evaluation activities can provide valuable assistance to state reform efforts. By sharing the lessons from these activities, the federal government can fill some of the information gaps that are inherent in a decentralized system. In addition, careful evaluation of state and local programs is essential to the development of sound policies at the federal level.

The federal government should expand its research and demonstration activities to improve the effectiveness and increase the pace of state reform efforts. The federal government should step up efforts to evaluate national and demonstration programs in a timely manner to ensure a sound information base for federal policy. Federal leadership also should disseminate information about best practices and provide training and technical assistance to help existing institutions perform new functions or take on new responsibilities.

Improve State and Local Coordination

Federal leadership is needed to strengthen joint planning at the state and local levels. The partnership councils at the state and local levels are federal creations that have served a useful function in bringing together representatives of the key system components with representatives from the private sector to meet and plan together, at no cost to state and local flexibility. But their limited scope and authority undermines their effectiveness.

Recent federal legislation broadened the scope of the state job training coordinating councils to include responsibility for state dislocated worker and welfare to work programs. Consequently, it is likely that these state councils will acquire greater visibility with the governor, attract stronger appointments, and achieve more concrete results.

A corresponding expansion of authority is needed at the local level. The private industry council has been the key institution in many communities through which public and private sector leaders address workforce development problems. A few states have begun to experiment with a new coordination model that grants approval authority to private industry councils for local work-related education and training plans developed by agencies other than JTPA. The federal government should not necessarily wait for all states to adopt this practice voluntarily, since tension between state and local governments could frustrate change that is clearly in the interest of employers and individuals needing education, training, and employment services. Joint planning among local political jurisdictions within the same labor market would also further local program coordination.

The federal government should continue to expand the role and authority of the state job training coordinating councils and significantly increase technical assistance and training services to prepare them for additional responsibilities. Similarly, the

federal government should expand the authority of private industry councils over other work-related programs. The federal government should consider requiring the development of labor market-wide plans while preserving the right of individual jurisdictions to operate their own programs. The federal government should investigate the use of financial and other incentives to promote joint planning among local political jurisdictions.

Ensure Program Accountability

Federal leadership is needed to develop performance standards to set goals for national education, training, and employment programs and to ensure accountability for the expenditure of federal funds. Currently, only the Labor Department is involved in this activity. However, it is likely that other departments will soon be responsible for developing performance standards for welfare and education programs.

To ensure that program goals are consistent and performance measures for different programs are compatible, the Administration should assemble an interdepartmental group or designate an independent organization to coordinate the development of performance standards among different federal agencies.

Develop Flexible Targeted Programs

Another federal objective is to expand the scope of state workforce development efforts, while ensuring that the special needs of disadvantaged populations and distressed areas continue to be met.

Since targeted federal programs play a crucial role in promoting equity in the distribution of employment opportunities across society, their continuation helps accomplish sound social policy objectives. The main drawback to federal categorical programs, however, is the creation of a new delivery system for each separate program. As long as the states and localities can utilize existing administrative arrangements and service delivery systems, targeted federal efforts should augment, not detract from, state workforce development systems.

Federal legislation should continue to target resources to special population groups, but allow states and localities to retain substantial flexibility to design and operate programs tailored to their needs.

Leverage Additional Resources

Expanding state workforce development activities requires an increased federal financial investment. However, it is neither possible nor necessary for the federal government to shoulder the entire burden for this expansion.

More efficient use of existing resources through improved program coordination can support significant expansion of effort. The other major partners in the workforce development system -- state and local governments and the private sector -- should also provide necessary financial support.

Funding proposals discussed in federal welfare reform legislation provide a sound model for leveraging state re-

sources. The federal government would appropriate a base level of funding to all states to preserve equity among the states and to guarantee at least a minimum level of state welfare to work activity. Then the federal government would make available additional matching funding on a sliding scale to states willing to commit their own resources, thereby providing a strong financial incentive to states to expand their education, training, and employment activities for welfare recipients.

Federal resources should be invested so that they leverage additional state, local, and private resources. The welfare reform model should be applied broadly to all federal workforce development efforts.

Next Steps for Federal Action

Federal leadership has already made substantial progress in reforming some workforce development programs. Other programs require additional federal attention. In every program area, it is important to consider next steps for federal action.

Job Training for the Disadvantaged

Remedial job training programs were an early focus of federal reform efforts. During the 1970s, federal job training efforts were overwhelmed by the creation and rapid expansion of public service jobs programs, which were administered by the same agencies. Where remedial job training was conducted, the programs too often trained individuals for jobs that did not exist or taught them skills that were quickly obsolete. Inadequate attention to labor market needs resulted in programs that offered limited benefits to program participants, who, despite training, often remained outside the economic mainstream.

In 1982, the Job Training Partnership Act (JTPA) refocused federal job training resources exclusively on education, skill training, and placement of individuals into private sector employment and assigned the public and private sectors joint responsibility for these efforts. The policy and organizational framework established by the JTPA legislation has served as a guide for subsequent federal workforce development activity.

The federal government should increase funding for JTPA programs, leveraging additional resources from state, local, and private partners. Congress and the Administration should conduct a thorough review of progress under JTPA and make necessary legislative and regulatory adjustments to improve the effectiveness of JTPA programs. In addition, the federal government should explore new approaches and commit additional resources to reducing adult illiteracy and reducing school dropout rates. Specifically, federal leadership should encourage the use of summer youth program funds to combine classroom instruction with work experience for disadvantaged youth on a year-round basis.

Vocational Education

Vocational education programs need to become more responsive to the demands of a changing economy. While employers indicate they need entry level employees with more than the narrow training offered by most vocational education programs, many of these programs continue to concentrate on highly specific skill training, often conducted with obsolete equipment using outdated methods no longer compatible with modern manufacturing processes or office practices.

In 1984, the Carl D. Perkins Vocational Education Act established new priorities for federal contributions to vocational education programs. Prior to 1984, federal funds, which account for

roughly one-tenth of total vocational education expenditures, were mainly used to maintain existing programs, regardless of their quality. The Carl Perkins Act refocused federal resources to upgrade and modernize vocational education programs and to increase access for individuals with special needs. In addition, the legislation established coordination requirements to encourage joint planning between vocational education and job training programs.

Reauthorization of the Carl Perkins Act during 1989 provides an opportunity to determine whether the federal goal of improving program quality is being met. Federal leadership should broaden the focus of vocational education programs to ensure that they become viable alternatives to academic programs, providing the literacy, math, reasoning, communication, and problem solving skills needed in the workplace. In addition, federal leadership could help states develop better formal advisory structures that utilize the occupational expertise of the private sector.

Welfare

The nation's welfare programs are undergoing a significant transformation. Traditionally, these programs have redistributed income to the poor to prevent individuals and their families from falling deeper into poverty. While the goal is laudable, the approach is flawed because it offers individuals who are able to work no permanent bridge to the economic mainstream. Work requirements in welfare programs have been treated mainly as administrative hurdles to be jumped in order to receive public assistance benefits, rather than as attempts to provide meaningful education and training that individuals need to find and keep a job.

In the early 1980s, Congress granted the states authority to experiment with new program designs and new administrative structures to encourage reform activity. Federal welfare reform legislation, drawing on the lessons from these experiments and from additional research, emphasizes education, training, and employment services to the able-bodied poor. States that desire to expand these services will be eligible for federal matching funds. The new legislation requires coordination with other related programs, involvement of the private sector in program planning, and development of performance standards to measure program success.

The federal government should capitalize on new federal legislation to redirect state welfare programs. The federal government should significantly expand its technical assistance to states and local communities to encourage use of the private industry councils as a mechanism to promote program coordination and private sector involvement. Continued federal research, demonstrations, evaluation, and sharing of best practices are necessary to support ongoing state experimentation.

Worker Adjustment

Retraining and reemployment assistance to dislocated workers has become a new federal priority in recent years. Recognizing that worker dislocation is a growing problem, but

lacking a sound basis for specific program guidance, the Congress granted states flexible authority to try out different approaches to this problem in 1982. Based on this experimentation and on careful study, new federal worker adjustment legislation expands the scope of worker adjustment activities and strengthens the link between worker adjustment programs, related education and training programs, and the private sector.

Effective implementation of new worker adjustment legislation requires a significant increase in federal technical assistance to public officials and partnership institutions responsible for planning, operating, and overseeing the expansion of services to dislocated workers. Congress should increase federal funding for these programs as state administrative capacity develops, and should consider new methods to leverage additional state and private resources for program expansion. In addition, the federal government should expand research and demonstration efforts to determine effective methods of retraining and upgrading the skills of existing workers to prevent dislocation, including experimenting with methods to leverage additional private sector resources to support these activities.

Employment Service

Reforming the employment service has been attempted several times during the past quarter century. Initially, the employment service was the only public agency responsible for helping the structurally unemployed enter or reenter the job market. The proliferation of federally funded programs and private agencies with a similar role and the assignment of additional functions that have little to do with moving workers into jobs have left the employment service with a poorly defined mission and have hindered program coordination.

Amendments to the Wagner-Peyser Act in 1982 addressed this problem by distinguishing between employment-related functions and other functions performed by the employment service. Unable to identify a separate and distinct federal role for the employment service, other than the general terminology of labor exchange activities, Congress left it up to the governors to find an appropriate niche for the agency. To ensure greater program coordination, the legislation required joint planning between the employment service and partnership institutions at the state and local levels.

Efforts are under way in some states to transform the employment service into an active component of an overall workforce development system. For the most part, however, states continue to treat the employment service as a federal responsibility. State job training coordinating councils, which have approval authority over employment service plans, have rarely chosen to use this authority to ensure that employment service activities are consistent with statewide goals and objectives.

The Administration and Congress should determine whether there is a distinct federal role for the public employment service. Ensuing legislation should either clearly define current expectations, refocus the employment service along new lines, or transfer all administrative and funding

responsibility to the states. The federal government should provide technical assistance to the employment service, state councils, and private industry councils to carry out their statutory responsibilities and to improve coordination between the employment service and other work-related programs.

Unemployment Insurance

Changes are also being considered in unemployment insurance programs. Historically, these programs have emphasized payment of benefits to temporarily unemployed workers who are waiting to be recalled to their previous jobs. This framework does not account for a growing proportion of workers who apply for unemployment insurance but cannot expect to be recalled and are more likely to possess obsolete skills. More emphasis is needed on teaching these workers new skills and helping them locate new jobs.

Recently, the federal government has funded research and pilot programs to identify which unemployed individuals are unlikely to return to their previous jobs and to determine what retraining and reemployment assistance they need to find new jobs in the economic mainstream.

The federal government should continue research and demonstration efforts to identify which unemployment insurance recipients are likely to be permanently unemployed and assist them to reenter the workforce. These activities should be carefully evaluated and the findings shared widely among the states. The federal government should explore new ways to streamline referral of unemployment insurance recipients to worker adjustment programs funded by JTPA. In addition, the federal government should study whether unemployment insurance trust funds could be used to finance remediation and retraining services without affecting the solvency of the funds. If the trust funds cannot support such activity, alternatives such as general revenues, a shared employer-employee tax, or tax incentives should be considered.

Labor Market Information

Labor market information programs need retooling. Traditionally, these programs have mainly served the needs of academic researchers and public officials concerned with macroeconomic policy. The aggregate data gathered has been inadequate for local planning for workforce development programs. As these programs have sought to build stronger links to the private economy, they have found there is little information on which to base their decisions about who needs help and what training should be offered. What information exists is generally not shared among different programs.

The Carl Perkins Vocational Education Act of 1984 established an occupational information system to meet the needs of individuals and program planners and to improve coordination in the exchange of information among different agencies. But there has been limited progress in this area.

Federal leadership in the development and coordination of state and local labor market

information should be greatly expanded. The Labor Department should provide more direct training and technical assistance to states to promote the development of their occupational information systems and should consider the creation of a special unit dedicated to this task. The Bureau of Labor Statistics (BLS) should continue to assist states in promoting the standardization of definitions and ensuring the integrity of information produced. Congress should provide the necessary funding to carry out these tasks.

Elementary and Secondary Education

Improving public education represents a growing challenge for federal leadership. Since the public schools are the central institution for shaping tomorrow's workforce, improvements in public education translate directly into improvements in workforce quality. A quality education improves chances for initial success in the job market, thus reducing the burden on remedial or second-chance programs. Almost every state is currently pursuing some type of educational reform initiative.

Most federal investment in public education focuses primarily on meeting the needs of poor children, particularly in the preschool and primary grades. While early intervention is important, disadvantaged youth often lose the momentum of this early assistance by the middle and high school grades. Recent research indicates that poor youth find it increasing difficult to make a successful transition from school to work.

Additional intervention is needed, not only for youth who have dropped out of school and out of the workforce, but also for in-school youth. The education system needs to focus greater attention on curricula and teaching methods that combine real world experiences and academic learning.

The federal government should expand its early intervention efforts. In addition, new federal initiatives are needed to motivate disadvantaged and disaffected youth and improve their transition from school to work. The federal government should improve summer youth programs and vocational education, investigate broader application of apprenticeship-type approaches that combine classroom and on-the-job training, and evaluate career exploration programs. The federal government should experiment with and closely evaluate the role of business/ education partnerships in improving the school-to-work transition for youth.

Continued Progress

This nation has made significant progress during the past decade in redirecting and reorganizing its education, training, and employment programs to respond to new economic and social challenges. It is inevitable that the nation's workforce development policies will undergo scrutiny, and possible revision, with a new Administration and a new Congress. New leadership has a natural desire to make its mark on the policy process. This change in political leadership presents both a challenge and an opportunity to pursue long-term objectives in workforce development policy.

Based on experience and research, the emerging workforce development strategy holds much promise for the future of the nation's economy and for continued social progress. However, the institutional reform needed to implement this strategy is protracted and difficult, and current reform efforts are vulnerable to shifting political currents. It is important for new political leadership to respect the bipartisan tradition of workforce development policy.

The emerging strategy offers a coherent, comprehensive American response to the challenges of international competition, technological innovation, and changing demographics. With strong leadership from federal, state, and local governments and from the private sector, America can move aggressively forward to meet these challenges in the 1990s.

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